



August 17, 2006

Sent Via Email

Dear Wind Energy Stakeholders:

**Re: Expedited Consultation
System Access and Interim Enhancements to Current Business Practices**

As you are aware, the AESO has implemented a threshold of 900 MW of wind generation that may be interconnected on to the Alberta Interconnected Electric System (AIES). The total capacity of all wind generators currently requesting access to the AIES exceeds 900 MW and therefore not all can be interconnected at this time. The AESO is committed to working with stakeholders to connect as much wind as possible while maintaining reliable operation and a transparent and fair set of rules and practices and as such have engaged the stakeholder community in a consultative process initiated in May 2006. As a subset of this process, the AESO requests stakeholders consider the following matter and provide expedited feedback such that it can be addressed in the very near future.

The AESO currently determines the time at which a generation project is committed as the time of the receipt of a cash contribution for its customer-related costs (as established in the AESO's Commitment Determination business practice, dated June 30, 2005). The AESO requests that stakeholders provide comments in respect of whether those wind generation customers that have committed with a cash contribution, that are however above the 900 MW threshold, should be allowed to retain their place in the queue by providing a Letter of Credit (LoC) in lieu of the cash contribution.

The AESO is of the view this may warrant consideration since the level of certainty of a timely interconnection for those wind generation projects above 900 MW is diminished with the announcement of the threshold. These customers were not aware there would be a threshold until after they made their request for system access service and paid their customer contribution. The AESO submits this may be just rationale for relaxing the terms of commitment relative to those below the threshold.

Notwithstanding, the AESO believes it is necessary to seek comments from stakeholders to ensure the impact on all affected customers is understood and taken into account before making a final determination.

The AESO therefore requests comments in respect of the following proposed provisions:

1. For wind generation project customers that have filed an application with the AESO for system access service, and in accordance with the current sequence of projects in the interconnection queue surpass the 900 MW threshold, a LoC for the total value of all customer-related costs as required by the AESO's tariff in respect of interconnection costs will be considered sufficient demonstration of commitment as per the AESO's Commitment Determination Process;
2. Such customers that have previously paid a contribution must provide a LoC amounting to all customer-related costs prior to receiving a refund of their cash contribution in order to maintain their current sequence within the interconnection queue;

3. Wind generation project customers that have requested system access service but have not provided financial security totaling their customer related costs may also provide a LoC totaling their customer-related costs in order to be considered a committed project as per the AESO's business practices. Such customers will move ahead of those projects that choose not to exercise this provision in the interconnection queue based upon the date the LoC is provided to the Transmission Facility Owner (TFO) but will not supersede any of the projects that have already committed to their projects (i.e. that had previously paid their customer contribution);
4. Wind generation projects customers that are within the 900 MW threshold are still required to provide their cash contribution in order maintain their current place within the queue;
5. The above mentioned provisions do not apply to any other generation resource types or load interconnection projects. The AESO's current Commitment Determination business practice will continue to be applied;
6. If modifications to the threshold are made allowing additional wind generation projects to interconnect to the AIES, the next customers in the interconnection queue (up to the newly established threshold, if any) will be required to pay their customer contribution in cash in order to maintain their position within the queue. Any LoC provisions will be released upon payment of the customer contribution.

The effects of this approach include:

- Reduced financial burden to customers above the threshold reflecting less certainty for access to the AIES;
- Consistent treatment between all wind energy projects above the threshold;
- Could result in more customers applying to move up within the interconnection queue;
- Creates a distinction in terms of commitment for different customers and therefore may raise fairness concerns among customers, especially those customers that in the past may have provided a LoC - even if they were not able to provide a cash contribution in accordance with the AESO's established business practice - if the option had been originally available to them.

Please provide your comments in letter form to Ed Hucman via email: ed.hucman@aeso.ca by September 1, 2006. All comments received will be posted on the AESO's website.

If you have questions, please contact either Ed Hucman at (403) 539-2469 or Kevin Willerton at (403) 539-2628 or by e-mail to ed.hucman@aeso.ca or kevin.willerton@aeso.ca.

Yours truly,

[original signed by]

Edward Hucman
Manager, Regulatory